EXHIBIT 12

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May 1, 2009

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UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

IN RE: PHARMACEUTICAL INDUSTRY) MDL NO. 1456

AVERAGE WHOLESALE PRICE)

LITIGATION) CIVIL ACTION:

THIS DOCUMENT RELATES TO)01-CV-12257-PBS

U.S. ex rel. Ven-A-Care of the)Judge Patti B. Saris

Florida Keys, Inc. v. Abbott) Chief Magistrate

Laboratories, Inc.,) Judge Marianne B. Bowler

No. 07-CV-11618-PBS) CONFIDENTIAL

VIDEOTAPED DEPOSITION OF MATTHEW PERRI, III, Ph.D.

Taken on Behalf of the Defendant

DATE TAKEN: May 1, 2009

TIME: 8:30 a.m. - 4:35 p.m.

PLACE: Hyatt Regency Airport

9300 Airport Boulevard

Yeager Conference Room

Suite 1066

Orlando, Florida

Stenographically Reported by:

Karen S. Rhine, FPR

Henderson Legal Services, Inc.

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1 BY MR. BERLIN:

- Q. Do you understand?
- 3 A. With regard to that the MAC price, that would
- be used by the -- in this example by the Arkansas
- Medicaid program, that could be true, but the AWP prices
- that were reported would still influence to whatever
- 7 extent other third-parties were reimbursing for these
- 8 products.

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- 9 And then again, the actual level of prices that are
- 10 reported by the pharmacists reporting their actual
- acquisition cost would need to be considered in 11
- 12 conjunction with their net prices that they were paying
- 13 once all rebates and incentives were filtered out.
- 14 So without knowing exactly what these pharmacists
- 15 reported, if they reported a net acquisition cost, net
- of all rebates and other incentives, then I could begin 16
- 17 to agree with that statement.
- 18 Q. But then so the pharmacy is essentially -- is
- 19 going to get paid the same amount regardless of which
- product it dispenses, right? 20
- 21 MR. ANDERSON: Objection to form.
- 22 THE WITNESS: My understanding, which this is

- Page 88
- MAC is higher or lower than Abbott's acquisition cost
- 2 for the Abbott products.
- 3 In the event that the MAC is set at a point A and
- pharmacists can purchase it at A minus some percent,
- again, the level of playing field being in place, if
- that spread was better than another company's spread,
- 7 Abbott could still market that spread to the pharmacists
- 8 doing the purchasing.
- Q. The spread that Abbott would be marketing would 10 be the difference between its sale price and the MAC
- 11 that the program set.
- 12 A. By definition it would be, yes.
- Q. And Abbott would not be able to go out and say 13
- 14 look how high our AWP is. Yes, you're paying more for
- 15 our drug, but in the end you're going to get reimbursed 16 more.
- 17 They wouldn't be able to do that under the scenario
- 18 we described with the Arkansas MAC, right?
- 19 A. I'm a little uncomfortable with the Arkansas
- 20 MAC that you've been giving me. I don't -- it's not
- 21 part of the analysis I've undertaken here.
- 22 Number two, pharmacists routinely purchase in

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- somewhat outside the scope of the marketing analysis
- 2 that I've done in this case, but my understanding is
- 3 that the Maximum Allowable Cost establishes
- 4 reimbursement amounts.
- 5 BY MR. BERLIN:
- 6 Q. So the answer to my question is yes, that the
- 7 pharmacist is going to get paid the same amount
- 8 regardless of which manufacturer's NDC it dispenses,
- 9 right?

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- 10 MR. ANDERSON: Objection to form.
- 11 THE WITNESS: The pharmacist would get paid
- 12 that maximum amount in this example in the Medicaid
- 13 program in Arkansas regardless of which Erythromycin
- 14 he dispenses.
- 15 BY MR. BERLIN:
- 16 Q. So if the -- well, can Abbott market the spread 17
- under that scenario?
- 18 A. Depending on what -- as I said, depending on
- what the actual acquisition costs are and what prices 19
- 20 Abbott is actually selling and what pharmacists are
- reporting, it would be simply a different benchmark that 21
 - is used to calculate the reimbursement amount if that

- 1 different ways. From a wholesaler they might be
- 2 purchasing AWP minus fourteen percent for example.
- 3 If they reported AWP minus fourteen to the Arkansas
- 4 Medicaid program and that was used to establish the MAC,
- 5 then AWP is still a factor. Without knowing
- 6 specifically exactly what prices and in what ranges the
- 7 pharmacist is reporting, it's very difficult to say.
- I will agree with you though that if a MAC level is
- 9 established, that the spread then becomes MAC minus the
- 10 acquisition cost of the pharmacy.
- 11 My belief is that AWP is still going to factor in
- 12 based on the fact that pharmacists are purchasing either
- 13 at AWP minus or at WAC plus or on a contract or some
- 14 other way. Without defining all those parameters I
- don't know that I can answer your question. 15
- 16 Q. Do you see any evidence that purchases of Ery
- 17 were made at AWP minus a certain percent?
- 18 A. In the testimony that I read where this issue
- 19 of how often a price was being transacted, that was not
- 20 a base deal price or a contract price, I learned from
- the Abbott records that that was somewhere between five 21
- 22 and ten percent of the time.

23 (Pages 86 to 89)

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1 In those five to ten percent of the time cases those 2 transactions could have occurred at AWP minus or WAC plus, depending on the price that the wholesaler negotiated with the pharmacy purchaser. So the answer 5 to your question would be yes. 6

Q. So let's review the prices that providers pay. If they're going directly to Abbott they're purchasing -- and they're purchasing not on contract, they're going to purchase it at WAC or list price, right?

MR. ANDERSON: Objection to form.

THE WITNESS: Well it depends. It depends on which wholesale cost and I purposely did not say wholesale acquisition cost, WAC, that is being employed with that customer.

For example, with the Ery products the base deal was a wholesale cost, but they also had a WAC price. So whether the customer was buying it at WAC or at base deal would have made a difference in the answer to your question.

20 BY MR. BERLIN:

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21 Q. Okay. Let me rephrase my question then to capture that. If a customer is going directly to Abbott

A. There were many customers that were on contract directly with Abbott, as well as the chains of directly on contract, as well as the retail buying groups that had contracts and then the pharmacists that were members

5 of those retail buying groups, which in some cases 6 included the chains. That would be true.

7 Q. The allegation in this case is that those 8 contract prices had no relationship to the WAC or list 9 or AWPs, right?

A. I'm not sure about when you use the phrase allegations in this case. I'm really not involved with the allegations here. I believe I can answer your question that based on my knowledge of the levels of prices I saw.

O. And what's your answer then?

A. The prices didn't bear the kind of relationship that we would have expected to see as an industry between the transaction prices, the WAC and the AWPs.

Q. So would you agree, given those facts, that if 20 a Medicaid program is calculating its MAC by calling up pharmacists and asking what they pay and taking the

average of that, that the impact of Abbott's AWP on the

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and they're not on contract, they would purchase at list 1 price or WAC or if they're purchasing during a certain 3 period of time more than \$500.00 of Ery product, they'd get base deal price. Is that accurate? 4 5 MR. ANDERSON: Objection to form. 6 THE WITNESS: If I followed you, they would 7 either have purchased at WAC -- through the 8 wholesaler at WAC plus or AWP minus or they would -9 did you say if they bought directly from Abbott? BY MR. BERLIN: 10

11 Q. Yes.

12 A. Okay. So that's not the scenario --

13 Q. They're going directly to Abbott, a customer is going directly to Abbott and they're not on contract, 14

they're going to pay, as you understand it, list price, 15

16 WAC or if they're purchasing more than \$500.00 of Ery,

17 base deal price during a certain period of time. 18 MR. ANDERSON: Objection to form.

19 THE WITNESS: Base deal or list price, yes.

20 BY MR. BERLIN:

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Q. And then according to what you've seen, the 22 vast majority of customers were on contract, right?

1 MAC is, to the extent it's not non-existent, it's 2 miniscule at best?

MR. ANDERSON: Objection to form.

THE WITNESS: I think I understand your question and I want to try to be as clear as possible in my answer. To the extent that that pharmacist purchases directly from Abbott, Abbott doesn't transact business at AWP.

Those pharmacists that purchase directly from Abbott that reported prices to any Medicaid program that called and asked them, had they reported their actual net acquisition cost, I could agree that the AWP in that case was fairly isolated from those providers.

However, for some providers that did purchase at AWP, the reported prices would contain AWP and would have been based in part on AWP. Without knowing the specifics of that mix or the actual levels of pricing and purchasing and discounting at the wholesale level, if indeed they even purchased at AWP minus it could have been wholesale plus. I would need to know those issues to be able to agree

24 (Pages 90 to 93)

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- 1 A. We agreed with respect to FUL that that would 2 be true --
- 3 Q. Yes.
- 4 A. -- with the exception that was noted.
- 5 Q. And this case isn't about where providers purchase the Ery drugs at the WAC or the list price, 7 right? That's not what the government is complaining 8 about. They're complaining about where there were purchases at a contract price that was lower than what 9 the reported prices were. 10

11 MR. ANDERSON: Objection to form.

12 THE WITNESS: I think based on my reading of the Complaint, which we talked about just briefly, 13 14 my understanding was the government was unhappy 15 about the differential in the spread amount between 16 the reimbursement, Medicaid reimbursement, and the 17 actual acquisition cost of providers regardless of 18 which prices, we're specifically looking at WAC, 19 list or AWP.

20 BY MR. BERLIN:

21 Q. And I understand you never were responsible for purchasing at any of the pharmacies you worked at. Is

that system works has marketing significance; not your

- understanding, but a manufacturer having an
- 3 understanding of how that works?
- 4 A. The marketing significance of that issue is how 5 the pharmacists use that in their decision making. FUL, 6 MAC or AWP doesn't matter to the pharmacist. What
- 7 matters to the pharmacist is the reimbursement spread.
- 8 Q. Right. And what matters is the reimbursement 9 spread and let's make an assumption that regardless of 10 what product they purchase they're going to get the same reimbursement if the drug is MAC or FUL. 11

MR. ANDERSON: Objection to form.

13 THE WITNESS: Okay.

14 BY MR. BERLIN:

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- 15 O. So no matter if they say I'm going to buy Mylan or I'm going to buy Abbott, they're going to get the 16 17 same reimbursement from the Medicaid program.
 - A. Under your assumption, yes.

19 MR. ANDERSON: Objection to form.

20 BY MR. BERLIN:

> Q. How would Abbott advertising a high AWP impact their purchasing decision under that scenario? It

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that correct?

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- A. I was never responsible for purchasing. I did place orders.
- Q. For the person who's responsible for purchasing, regardless of which Ery NDC they purchased among the generic equivalents for that, they're going to get the same reimbursement under the FUL, right?

MR. ANDERSON: Objection to form.

THE WITNESS: Mr. Berlin, I wish I had a greater knowledge of FUL and MAC and everything so I could talk more intelligently with you about this subject. I've been trying really hard for the last hour or so to answer these questions.

It is outside the area of my expertise and the expertise that I've applied in this case. I think that it's related and that's why I'm trying to answer these questions the best that I can.

But the issue of the FUL and so forth, it troubles me because I'm not one hundred percent sure that I understand how that system works.

21 BY MR. BERLIN:

Q. Do you think having an understanding of how

wouldn't, would it?

MR. ANDERSON: Objection to form.

THE WITNESS: In the scenario that we've been talking about where there's an FUL, accepting the possibility that Abbott's product was the lowest priced product on the market, advertising an AWP would not inform well a pharmacist's understanding of what their reimbursement amount would be.

It might provide some information to them about the relative level pricing in the marketplace, but it would not inform their reimbursement amount.

So the answer to your question is essentially that the FUL in the scenario that we're talking about, this hypothetical, the ability to market a higher reimbursement spread would not be informed by the AWP.

It would, however, be informed by the actual spread, the amount the pharmacist would be getting reimbursed by that Medicaid program which the pharmacist would know.

21 BY MR. BERLIN:

22 Q. Meaning the difference between the

28 (Pages 106 to 109)

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reimbursement and the purchase price that that pharmacist would obtain?

A. Yes.

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Q. So Abbott could either literally or figurative come knocking at the door and say but wait, wait, wait, we have the highest AWP or our AWP is higher than Mylan's.

The pharmacist under the scenario that we've been discussing wouldn't care at all, right?

MR. ANDERSON: Objection to form.

THE WITNESS: These scenarios are akin to holding all other things equal I think. Because in the real world what's happening is this pharmacist isn't just buying Erythromycin Sterate from Abbott. They're buying a lot of products from Abbott.

In the real world this pharmacist isn't just being reimbursed by Medicaid. They're being reimbursed by Medicaid and a slue of other third-party reimbursers which might indeed be using AWP. And the pharmacists know this. So we're narrowing it down, Medicaid maybe ten, fifteen percent on average up to eighty percent of an

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impact the pharmacists' decision making and that is a 2 marketing issue.

3 Q. So let's take the scenario where there's going 4 to be payment based on the FUL. The lowest reported price is from Mylan and a pharmacist is purchasing the

6 Abbott product because of some other third-party payor 7 that is basing its reimbursement on Abbott's allegedly

8 inflated AWP.

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9 That provider then makes a Medicaid claim for the 10 Abbott drug, but they're being paid based on the FUL. 11 What's the harm to the Medicaid program of Abbott having reported that inflated AWP? 12

13 A. I can't evaluate the harm to the Medicaid 14 program. That's just not something that I can do.

Q. I mean can you think of one?

A. I mean you're asking me to provide opinions about something I've never thought about, that I'm not involved in in this case. I find it very difficult to

-- you said what's the harm to the Medicaid program. 19

20 It sounds like, and based on my knowledge of other 21 experts and other witnesses, there are a lot of people

22 that would be better suited to answer than question

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individual store's business.

It might have a bigger or smaller impact on an individual store. But to try to isolate these things and to say that a pharmacist isn't going to make a decision based on all the factors, it's very difficult for me to analyze that and to give you a direct answer.

BY MR. BERLIN:

Q. One of your opinions was you looked at other Abbott products in PPD and found that there wasn't this 11 spread and there wasn't this marketing of the spread, 12 correct?

13 A. I don't know if it was an opinion. I think 14 those are issues that I've identified in my report. 15

Q. And you understand that this case involves not 16 another private third-party payor or any third-party payor other than Medicaid, right?

A. I understand that in terms of the Complaint and 18 the people involved in this case it's Medicaid. I also 19 20 understand that these pharmacies are not operating in a vacuum. They are operating in a third-party environment 21 that is characterized by many third-party payors which

rather than a marketing person.

2 Q. Well, I'm asking you that from the perspective 3 of marketing significance. I mean if Abbott -- if that 4 scenario, there's no harm to the Medicaid program, I 5 don't understand what marketing significance it would

6 have in this case. Can you explain that?

MR. ANDERSON: Objection to form.

THE WITNESS: This case to my understanding is not about the behavior of Medicaid. It's about the marketing behaviors of Abbott at least from my perspective. I'm sure there are other issues in the 12 case of which I'm not privy to or involved in.

> So to get back to what it's about here is that I can provide you with the best answers I can regarding Abbott's marketing behavior. I can't provide you with answers about what's good or bad for Medicaid.

18 BY MR. BERLIN:

19 Q. Let me ask you this. All this what we've been 20 discussing as how different Medicaid programs calculate 21 the MAC and FUL, did you see any documents in Abbott 22 examining these issues?

29 (Pages 110 to 113)

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Abbott had a marketing plan to market the spread. And you clarified that there wasn't any marketing plans.

3 So let me just expand the question to incorporate if in fact there was any sort of intent, purpose, plan, any motive or anything like that to market the plan if that was -- market the spread, if that was an intent or

7 policy or however broadly you can express it why would 8 an employee refuse to do so.

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And one reason you said was maybe they felt that they shouldn't do so, and you were suggesting maybe you had another.

12 A. The corporate policy that was implemented would be one reason why they would not do that. They were 13 14 directly told not to discuss reimbursement with the 15 exception of the managed care folks.

16 The perception on the part of some Abbott employees 17 that this was something they should not talk about did 18 go back prior to that corporate policy and could have stemmed from the perception that there was something 19 inappropriate about utilizing that as a marketing or 20 promotional technique. 21

Q. Do you have an understanding as to why Abbott

price. And yes, the answer to that is yes. So there is intent involved in terms of planning the way I interpret 3 intent.

4 Now, beyond that I can't say that I can answer your 5 question in much more detail. For some behaviors there 6 was definitely a decision that was made to engage this 7 behavior, which in a marketing sense it was a planned 8 behavior.

Q. One thing you said in the Texas dep was -- and you're welcome to refer to it although I'll read it and quote it accurately.

I just don't know that they realize the implications of their communications. Is it possible that Abbott marketed the spread without intending to do so?

A. The quote that you've just read related specifically to discussions with sales reps with customers, if I'm taking that in the proper context.

In fact the statement was that the sales reps had 19 denied that they marketed the spread. The full context of that quote was that they did not recognize the full 21 implications of their actions or they had a different

definition of what marketing the spread is than I do.

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felt it was okay or at least expressed it was okay for employees to discuss AWP or spread with managed care entities?

A. Just from the perspective of possibly negotiation of fees -- negotiation of prices or reimbursements. I really don't know beyond that.

Q. And what you just said got me onto something that I did want to discuss with you, this distinction between intent and consequence.

10 Is it your opinion that Abbott intended and did 11 market the spread or is it just that the consequences of Abbott's actions, regardless of Abbott's purpose or 12 13 intent was that the spread got marketed?

14 A. To evaluate intent, and I think that as a marketer I might use intent a little bit different than 15 16 you as a lawyer might use that word, but intent would be 17 akin to saying did they plan to do this or did they plan 18 to do that.

19 I can evaluate that in terms of the behaviors that I 20 saw demonstrated. Did they plan to have a base deal price that was a wholesale acquisition cost in addition 21 to their wholesale acquisition cost that was a reported

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1 MR. ANDERSON: Hey, Eric, I'm sure you quoted 2 it accurately, but if you don't mind, could you cite 3 the page and line number so that it will be in the 4 record?

MR. BERLIN: Page 177.

MR. ANDERSON: Thanks. I want to review that just so if I need to invoke the Rule of Optional Completeness I can.

9 MR. BERLIN: I think he just put it in context 10 so --

11 MR. ANDERSON: It sounds like he did.

12 MR. BERLIN: -- I don't think there's any other 13 need to.

14 BY MR. BERLIN:

15 Q. When did Abbott start marketing the spread on 16 Ery?

17 A. The documents that I reviewed that covered the 18 time period from 1994 through the present day even

19 though I would acknowledge I've seen very few documents

20 from current day. I've seen some, but not very many

21 documents.

22 So the -- when did Abbott begin -- when the generic

34 (Pages 130 to 133)

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- is to market the spread. However, I saw behaviors and 1
- activities that intricately wove together patterns of
- behavior that were marketing behaviors that resulted in
- spread marketing.
- 5 Q. And that's what you described in your report, 6 right?
- 7 A. Yes.
- 8 Q. Okay. I'm still going to need to ask you these
- questions. I quite frankly anticipate the answer to 9
- these questions are going to be no. And then after you 10
- answer them I'll give you an opportunity to tell me why 11
- 12 these questions don't matter. Okay? Can we proceed
- that way? 13
- 14 A. That's fair enough.
- 15 Q. I think having that sort of an explanation
- after each one we'll be here forever. So let's go back 16
- to my question which is did you see evidence of 17
- 18 documentation as how to best market the message of
- 19 provider profitability, any analysis like that?
- 20 A. Should I also assume these are all with respect
- to Ery products? 21
- 22 Q. Yes, these are all with respect to the Ery

1 BY MR. BERLIN:

- Q. Actually you already have it. It's Exhibit 18.
- My first question for you is is this the document to
- 4 which you're referring? It's double sided.
 - A. This is it.
- 6 Q. And does that document -- and you're referring
- 7 to a section that discusses AWP, right? It's on page 2
- of the document?
- 9 A. The section is entitled AWP Spread. That's 10 correct.
- 11 Q. And does that discuss how best Abbott could
- 12 market its message that its spread was superior to
- 13 others?

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- 14 MR. ANDERSON: Objection to form.
 - THE WITNESS: I believe what this document does
- 16 is it spells out the areas within which there were
- 17 going to be discussions at Abbott about these
- 18 issues.
- 19 BY MR. BERLIN:
 - Q. Did you see any document following up on this?
- 21 A. Again, I did not see a specific document.
- 22 Q. Did you see any evidence of research on the

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- within PPD, products that are at issue in this lawsuit.
- 2 A. So will you be accepting the example I cited in
- 3 my report with the Gengraf?
- Q. We're going to get to that later and a
- 5 discussion of why that impacts your decision as to Ery.
- 6 Here you're saying Abbott marketed the spread on Ery.
 - So I'll ask you to include two things, either a
- document that is specific to Ery or a document that is
- 9 so broad that you read it to incorporate Ery. But if
- it's just about another drug, I don't include that in 10
- 11 what I'm asking you.
- 12 A. Okay.

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- 13 Q. So the question still is documentation as how
- best to market the message of provider profitability. 14
- 15 MR. ANDERSON: Objection to form.
- 16 THE WITNESS: I'm thinking of a group of
- 17 documents that I reviewed where I believe the title
- 18 of the document was Talking Points and the document
- 19 discussed the issue of provider profitability from
- 20 the perspective of chains want bigger spreads and I
- 21 believe that document would provide some evidence of
 - what your questioning is asking.

- 1 correct message and materials to be used by
- 2 representatives to promote the spread?
- 3 A. No, but I did see materials that were provided
- 4 to both customers and representatives that would inform
- 5 them about spread-related issues such as estimated AWPs
- 6 after a certain period before that listed AWPs.
 - In particular with Ery products, the sheets that
- were designed for the retail buying groups that listed 8
- 9 the NDC numbers and the Ery products, the price, and the
- AWP price and then the customer's price could be filled 10
- 11 in on the column.
- 12 Q. We'll get to that document as well. The
- 13 documents that contain AWP information on them, without
- having the contract price, right? Those are the other 14
- types you're referring to? 15
- 16 A. Some of them don't have contract prices, yes.
 - Q. If Abbott's interested in marketing the spread,
- why wouldn't it do that? Why wouldn't it put the spread 18
- 19 on the sheets? Why wouldn't it put the spread compared
- 20 to its competitors' spreads on the sheet as opposed to
- 21 just putting AWP?
- 22 A. In the pharmacy world to a good many people,

39 (Pages 150 to 153)

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